

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|---|-------------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name Oceana County Road Commission | County Oceana |
| Audit Date 12/31/05 | Opinion Date 3/15/06 | Date Accountant Report Submitted to State: 5/12/06 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGR). | | | ✓ |

| | | | |
|---|--|-----------------------------|--------------------|
| Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C. | | | |
| Street Address 3511 Coolidge Road, Suite 100 | | City East Lansing | State MI |
| Accountant Signature <i>Abraham & Gaffney, P.C.</i> | | ZIP 48823 | |
| | | Date 5/11/06 | |

**Oceana County Road Commission
Hart, Michigan**

FINANCIAL STATEMENTS

December 31, 2005

Oceana County Road Commission

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Principals

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of the County Road Commissioners
Oceana County
Hart, Michigan

We have audited the accompanying component unit financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oceana County Road Commission, a component unit of Oceana County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These component unit financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Oceana County Road Commission as of December 31, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2006, on our consideration of the Oceana County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the component unit financial statements that collectively comprise the Oceana County Road Commission financial statements. The Other Supplementary Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Oceana County Road Commission. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 15, 2006

Oceana County Road Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Our discussion and analysis of Oceana County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the year ended December 31, 2005. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and the other supplementary information section that presents the operating fund broken down between primary, local, and county roads. The basic financial statements include two kinds of statements that present different views of the Oceana County Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Oceana County Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net Assets" is the difference between the assets and liabilities – this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Oceana County Road Commission as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two statements, mentioned above, report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission, additional nonfinancial factors such as changes in the county's property tax base, the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

Oceana County Road Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Fund Financial Statements

The Road Commission currently has two funds, the general operations fund and the pension fund. All of the Oceana County Road Commission's activities are accounted for in the general operations fund. The general operations fund is a governmental fund type. The General Operating Fund budget vs. actual schedules are located on pages 20 and 21. The other supplementary information begins on page 22 and provides detailed information about the major fund.

Governmental funds focus on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Oceana County Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following each fund level financial statements.

Financial Analysis of the Road Commission as a Whole

The Road Commission's net assets increased from \$6,050,216 to \$8,440,286, for the year ended December 31, 2005. The net assets and change in net assets are summarized below.

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorized the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such, all assets (except for amounts invested in capital assets, net of related debt) are considered restricted.

Net assets increased by \$2,390,070 for 2005. The primary reason for the increase was the recognition of infrastructure assets. Declining interest rates, decline in federal support for road projects and the loss of Township revenue sharing negatively impacted net assets and will most likely account for future impacted net assets.

A comparison of net assets as of the years ended December 31, 2004 and 2005 follows:

| | <u>2004</u> | <u>2005</u> |
|---|----------------------------|----------------------------|
| Current Assets | \$ 1,696,967 | \$ 2,886,528 |
| Capital Assets | <u>5,559,656</u> | <u>6,741,853</u> |
| TOTAL ASSETS | 7,256,623 | 9,628,381 |
| Current Liabilities | 473,485 | 568,317 |
| Noncurrent Liabilities | <u>732,922</u> | <u>619,778</u> |
| TOTAL LIABILITIES | 1,206,407 | 1,188,095 |
| Invested in capital assets, net of related debt | 4,994,815 | 6,341,853 |
| Restricted for County Roads | <u>1,055,401</u> | <u>2,098,433</u> |
| TOTAL NET ASSETS | <u>\$ 6,050,216</u> | <u>\$ 8,440,286</u> |

Oceana County Road Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Changes in Net Assets

The following table presents comparison of changes in net assets between 2004 and 2005.

| | <u>Governmental Activities</u> | |
|----------------------------------|---------------------------------------|----------------------------|
| | <u>2004</u> | <u>2005</u> |
| Program Revenues | | |
| Charges for services | \$ 1,289,030 | \$ 855,172 |
| Operating grants & contributions | 4,434,634 | 4,076,521 |
| Capital grants & contributions | 1,538,844 | 2,626,788 |
| General Revenues | | |
| Interest | 7,133 | 29,884 |
| Gain on equipment disposal | <u>33,131</u> | <u>-</u> |
| TOTAL REVENUES | 7,302,772 | 7,588,365 |
| Expenses | | |
| Primary Roads | 974,842 | 1,408,575 |
| Local Roads | 2,251,590 | 2,085,698 |
| State Trunkline | 1,518,502 | 864,453 |
| Equipment – net | (107,549) | 198,295 |
| Administrative – net | 188,981 | 354,881 |
| Drains | - | 25,583 |
| Compensated absences | 13,285 | 2,135 |
| Infrastructure depreciation | 184,177 | 234,615 |
| Interest expense | <u>30,335</u> | <u>24,060</u> |
| TOTAL EXPENSES | <u>5,054,163</u> | <u>5,198,295</u> |
| INCREASE IN NET ASSETS | <u>\$ 2,248,609</u> | <u>\$ 2,390,070</u> |

The Oceana County Road Commission's Fund Level Information

The Road Commission's general operating fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for road and highway purposes. For the year ended December 31, 2005, the fund balance of the general operating fund increased \$1,042,328 as compared to an increase of \$471,211 (after considering the effect of prior period adjustments) in the fund balance for the year ended December 31, 2004. Total operating revenues were \$7,588,365, an increase of \$285,593 as compared to last year. There was also an increase in interest earned due to the overall economy in the amount of \$22,751. Total expenditures were \$6,546,037, a decrease of \$285,524 as compared to last year.

Oceana County Road Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

A comparison of changes in the Operating Fund for the year ended December 31, 2005 and 2004 follows:

| | <u>Operating Fund</u> | |
|---|----------------------------|----------------------------|
| | <u>2004</u> | <u>2005</u> |
| Revenues | | |
| Licenses & Permits | \$ 15,005 | \$ 12,092 |
| Federal Grants | 536,413 | 309,770 |
| State Grants | 4,629,240 | 6,049,303 |
| Contributions from local units | 807,825 | 344,236 |
| Charges for services | 1,274,025 | 843,080 |
| Interest & Rents | 7,133 | 29,884 |
| Other | 33,131 | - |
| TOTAL REVENUES | 7,302,772 | 7,588,365 |
| Expenditures | | |
| Primary Road | 1,864,039 | 1,938,028 |
| Local Road | 3,457,364 | 2,788,606 |
| State Trunkline | 1,518,502 | 864,453 |
| Equipment – net | (107,549) | 331,318 |
| Administrative – net | 173,520 | 339,149 |
| Capital outlay | (199,182) | 67,160 |
| Debt Service | 124,867 | 191,740 |
| Drain Assessment | - | 25,583 |
| TOTAL EXPENDITURES | 6,831,561 | 6,546,037 |
| EXCESS OF REVENUES OVER EXPENDITURES | 471,211 | 1,042,328 |
| FUND BALANCE – BEGINNING | 1,002,369 | 1,473,580 |
| FUND BALANCE – ENDING | <u>\$ 1,473,580</u> | <u>\$ 2,515,908</u> |

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts, and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2005 was \$616,150 higher than the original budget primarily due to the Road Commission receiving certain federal aid projects during the year as originally planned. There was also an increase in Township contributions. The actual revenue recognized during 2005 was greater than the final amended budget by \$218,565.

The final amended expenditures budget for 2005 was \$616,150 lower than the original budget primarily due to the Road Commission completing more Township projects than originally planned; the increase in fringe benefits was due primarily to increases in employee benefits. The actual expenditures recognized during 2005 were lower than the final amended budget by \$1,048,763. There were unfavorable variances in certain expenditure line items.

Oceana County Road Commission
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005

Capital Asset & Debt Administration

Capital Assets

As of December 31, 2005, the Road Commission has invested \$6,741,853 in net capital assets. This amount represents a net increase (including additions and deductions) of \$1,182,197 as follows:

| | <u>2004</u> | <u>2005</u> |
|---|----------------------------|----------------------------|
| Capital Assets Not Being Depreciated | | |
| Land & Improvements | \$ 62,094 | \$ 62,094 |
| Construction in progress | <u>-</u> | <u>272,285</u> |
| SUB-TOTAL | 62,094 | 334,379 |
| Capital Assets Being Depreciated | | |
| Buildings | 1,686,839 | 1,686,839 |
| Road Equipment | 4,999,616 | 5,244,616 |
| Shop Equipment | 99,777 | 99,777 |
| Office Equipment | 37,518 | 37,518 |
| Engineer Equipment | 3,744 | 3,744 |
| Infrastructure - Roads | 3,323,426 | 4,164,219 |
| Infrastructure - Bridges | <u>808,399</u> | <u>1,199,967</u> |
| SUB-TOTAL | <u>10,959,319</u> | <u>12,436,680</u> |
| TOTAL CAPITAL ASSETS | 11,021,413 | 12,771,059 |
| TOTAL ACCUMULATED DEPRECIATION | <u>(5,461,757)</u> | <u>(6,029,206)</u> |
| TOTAL NET CAPITAL ASSETS | <u>\$ 5,559,656</u> | <u>\$ 6,741,853</u> |

This year's major capital asset additions included the following:

| | |
|---------------------------------|----------------------------|
| Construction in progress | \$ 272,285 |
| Equipment | |
| Roads | 245,000 |
| Infrastructure | |
| Roads | 840,793 |
| Bridges | <u>391,568</u> |
| TOTAL | <u>\$ 1,749,646</u> |

There was no installment purchase agreements entered into during 2005.

During 2005, the Road Commission did not trade in or dispose of any equipment.

Oceana County Road Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Debt Administration

As of December 31, 2005, the Road Commission had \$400,000 in long-term bonds outstanding versus \$480,000 last year, a decrease of 8.75% as shown below. The scraper lease was paid in full in June, 2005.

| | <u>12-31-04 Balance</u> | <u>2005 Payment</u> | <u>12-31-05 Balance</u> |
|---------------|-----------------------------|-------------------------|-----------------------------|
| Bonds Payable | \$ 480,000 | \$ 80,000 | \$ 400,000 |
| Capital Lease | <u>84,841</u> | <u>84,841</u> | <u>-0-</u> |
| Totals | <u>\$ 564,841</u> | <u>\$ 164,841</u> | <u>\$ 400,000</u> |

During 2005 there was no new bonded debt.

Other obligations include accrued vacation pay and sick leave. As of December 31, 2005, the Road Commission has a \$415,995 outstanding debt related to accumulated unused vacation pay and sick leave. More detailed information about the Road Commission's long-term liabilities is presented in Notes to the Financial Statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2006 budget. One of the factors is the economy. The Road Commission derives approximately 58% of its revenues from the fuel tax collected. Using MDOT projections, it is estimated that the Road Commission will receive \$3,863,500, or about \$140,000 less in MTF revenues in 2006. During 2006 we will be completing a major road project that will increase our Federal and State revenues.

The above items were considered when adopting the budget for 2006. Amounts available for appropriation in the 2006 budget are \$8,081,215, an increase of \$711,415 over the 2005 final amended revenue budget of \$7,369,800.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens, and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Oceana County Road Commission's administrative offices at P.O. Box 112, Hart, MI 49420.

BASIC FINANCIAL STATEMENTS

Oceana County Road Commission

STATEMENT OF NET ASSETS

December 31, 2005

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 141,087 |
| Restricted cash and cash equivalents | 1,791,394 |
| Accounts receivable | 3,409 |
| Due from other governmental units | |
| State | 697,789 |
| Local | 20,000 |
| Inventory | <u>232,849</u> |
| Total current assets | 2,886,528 |
| Noncurrent assets | |
| Capital assets, not being depreciated | 334,379 |
| Capital assets, net | <u>6,407,474</u> |
| Total capital assets | <u>6,741,853</u> |
| TOTAL ASSETS | 9,628,381 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 193,553 |
| Accrued liabilities | 34,091 |
| Accrued interest payable | 1,520 |
| Current portion of compensated absences | 259,153 |
| Current portion of long-term debt | <u>80,000</u> |
| Total current liabilities | 568,317 |
| Noncurrent liabilities | |
| Advances | 142,976 |
| Noncurrent portion of compensated absences | 156,802 |
| Noncurrent portion of long-term debt | <u>320,000</u> |
| Total noncurrent liabilities | <u>619,778</u> |
| TOTAL LIABILITIES | <u>1,188,095</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 6,341,853 |
| Restricted for County Roads | <u>2,098,433</u> |
| TOTAL NET ASSETS | <u><u>\$ 8,440,286</u></u> |

See accompanying notes to financial statements

Oceana County Road Commission

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

| | Governmental Activities |
|------------------------------------|----------------------------|
| Program Expenses | |
| Primary Road | \$ 1,408,575 |
| Local Road | 2,085,698 |
| State Trunkline | 864,453 |
| Equipment - net | 198,295 |
| Administrative - net | 354,881 |
| Drains at large | 25,583 |
| Compensated absences | 2,135 |
| Infrastructure depreciation | 234,615 |
| Interest expense | 24,060 |
| | <hr/> |
| TOTAL PROGRAM EXPENSES | 5,198,295 |
| Program Revenues | |
| Charges for services | 855,172 |
| Operating grants and contributions | 4,076,521 |
| Capital grants and contributions | 2,626,788 |
| | <hr/> |
| TOTAL PROGRAM REVENUES | 7,558,481 |
| | <hr/> |
| NET PROGRAM REVENUES | 2,360,186 |
| General Revenues | |
| Interest | 29,884 |
| | <hr/> |
| CHANGE IN NET ASSETS | 2,390,070 |
| Net assets, beginning of the year | 6,050,216 |
| | <hr/> |
| Net assets, end of the year | <u><u>\$ 8,440,286</u></u> |

See accompanying notes to financial statements

Oceana County Road Commission
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2005

| | Governmental Fund Type |
|--------------------------------------|---------------------------|
| | General |
| | Operating Fund |
| ASSETS | |
| Cash and cash equivalents | \$ 141,087 |
| Restricted cash and cash equivalents | 1,791,394 |
| Accounts receivable | 3,409 |
| Due from other governmental units | |
| State of Michigan | 697,789 |
| Local | 20,000 |
| Inventory | 232,849 |
| | <hr/> |
| TOTAL ASSETS | \$ 2,886,528 |
| | <hr/> |
| LIABILITIES AND FUND EQUITY | |
| LIABILITIES | |
| Accounts payable | \$ 193,553 |
| Accrued liabilities | 34,091 |
| Advances | |
| State of Michigan | 142,976 |
| | <hr/> |
| TOTAL LIABILITIES | 370,620 |
| | |
| FUND EQUITY | |
| Fund balance | |
| Reserved for inventory | 232,849 |
| Unreserved - undesignated | 2,283,059 |
| | <hr/> |
| TOTAL FUND EQUITY | 2,515,908 |
| | <hr/> |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 2,886,528 |
| | <hr/> |

See accompanying notes to financial statements

Oceana County Road Commission

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2005

Total fund balance - governmental fund \$ 2,515,908

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

| | | |
|-------------------------------|--------------------|-----------|
| The cost of capital assets is | \$ 12,771,059 | |
| Accumulated depreciation is | <u>(6,029,206)</u> | |
| Capital assets, net | | 6,741,853 |

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Fund Balance Sheet.
Long-term liabilities at year-end consist of:

| | | |
|--------------------------|------------------|------------------|
| Bond payable | (400,000) | |
| Accrued interest payable | (1,520) | |
| Compensated absences | <u>(415,955)</u> | |
| | | <u>(817,475)</u> |

Net assets of governmental activities \$ 8,440,286

See accompanying notes to financial statements.

Oceana County Road Commission

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND

Year Ended December 31, 2005

| | Governmental Fund Type General Operating Fund |
|--------------------------------------|--|
| REVENUES | |
| Licenses and permits | \$ 12,092 |
| Intergovernmental | 6,703,309 |
| Charges for services | 843,080 |
| Interest and rents | 29,884 |
| TOTAL REVENUES | 7,588,365 |
| EXPENDITURES | |
| Current | |
| Primary Road | 1,938,028 |
| Local Road | 2,788,606 |
| State Trunkline | 864,453 |
| Equipment - net | 331,318 |
| Administrative - net | 339,149 |
| Drains at large | 25,583 |
| Capital outlay - net | 67,160 |
| Debt Service | 191,740 |
| TOTAL EXPENDITURES | 6,546,037 |
| EXCESS OF REVENUES OVER EXPENDITURES | 1,042,328 |
| Fund balance, beginning of year | 1,473,580 |
| Fund balance, end of year | \$ 2,515,908 |

See accompanying notes to financial statements.

Oceana County Road Commission

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Net change in fund balance - governmental fund **\$ 1,042,328**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|--|------------------|-----------|
| Capital outlay | \$ 1,749,646 | |
| Depreciation expense | (332,834) | |
| Infrastructure depreciation expense | <u>(234,615)</u> | |
| Excess of capital outlay over depreciation expense | | 1,182,197 |

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

| | | |
|------------------------|---------------|---------|
| Bond principal | 80,000 | |
| Capital lease payments | <u>84,841</u> | |
| | | 164,841 |

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

| | | |
|--|----------------|------------|
| Decrease in accrued interest payable | 2,839 | |
| (Increase) in accrued compensated absences | <u>(2,135)</u> | |
| | | <u>704</u> |

Change in net assets of governmental activities **\$ 2,390,070**

See accompanying notes to financial statements.

Oceana County Road Commission

Fiduciary Fund

STATEMENT OF NET ASSETS

December 31, 2005

| | Pension Fund |
|------------------------------------|---------------------|
| ASSETS | |
| Investments | <u>\$ 1,859,007</u> |
| NET ASSETS | |
| Held in trust for pension benefits | <u>\$ 1,859,007</u> |

See accompanying notes to financial statements.

Oceana County Road Commission

Fiduciary Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2005

| | <u>Pension Fund</u> |
|---|----------------------------|
| ADDITIONS | |
| Contributions | |
| Employer | \$ 127,116 |
| Investment earnings | |
| Interest and dividends | <u>83,177</u> |
| TOTAL ADDITIONS | 210,293 |
| DEDUCTIONS | |
| Benefits | <u>152,642</u> |
| CHANGE IN NET ASSETS | 57,651 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | |
| Beginning of year | <u>1,801,356</u> |
| End of year | <u><u>\$ 1,859,007</u></u> |

See accompanying notes to financial statements.

Oceana County Road Commission
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oceana County Road Commission (the "Commission") is a component unit of Oceana County, Michigan. The Commission is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local units of government for work performed for road projects throughout the county.

The Commission, which is established pursuant to the County Road Law (MCL 224.1), operates under an elected Board of three (3) County Road Commissioners who establish policies and review operations of the Commission. The Commission provides services to sixteen (16) Townships in Oceana County and maintains over 1,160 miles of local and primary roads.

1. Reporting Entity

The Commission is required by Public Act 51 of the State of Michigan to have an audit performed of its operations. This financial report has been prepared to meet this State requirement.

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the Oceana County Road Commission. The Commission is considered a component unit of Oceana County, Michigan and is discretely presented in Oceana County's (the Primary Government) financial statements. A copy of the County's audited financial statements may be obtained at the County Courthouse in Hart, Michigan.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Commission as a whole.

The statement of activities presents the direct functional expenses of the Commission and the program revenues that support them. Direct expenses are specifically associated with a service, program, or Commission and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and shows how governmental functions are either self-financing or supported by the general revenues of the Commission.

FUND FINANCIAL STATEMENTS

The Commission uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Commission's individual major fund.

The major fund of the Commission is:

- a. Special Revenue Fund - This general operating fund is used to account for all financial resources of the Commission, which are restricted to expenditures for specified county road related purposes.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues, which are considered measurable but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Commission has elected not to follow subsequent private-sector guidance.

5. Budgets and Budgetary Accounting

The annual budget of the Commission is prepared by Commission management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of the Commission's checking accounts, imprest cash, and short-term investments with an original maturity of 90 days or less.

Investments are reported at fair value. Investments consist of various Pension Fund securities.

7. Inventories

Inventories of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at average cost.

Oceana County Road Commission
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

8. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items) are reported under governmental activities within the operating fund in the government-wide financial statements. Capital assets are defined by the Oceana County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Oceana County Road Commission has capitalized the current year's infrastructure, as required by GASB Statement No. 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission will retroactively capitalize the major infrastructure assets on or before December 31, 2007, as permitted by GASB Statement No. 34.

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

| | |
|--------------------------|---------------|
| Buildings | 30 - 50 years |
| Road Equipment | 5 - 8 years |
| Shop Equipment | 10 years |
| Engineering Equipment | 4 - 10 years |
| Office Equipment | 4 - 10 years |
| Infrastructure - Roads | 5 - 30 years |
| Infrastructure - Bridges | 12 - 50 years |

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under the governmental activities within in the Operating Fund Statement of Net Assets.

10. Accrued Vacation and Sick Leave

In accordance with contracts negotiated with the various employee groups of the Commission, employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount along with related payroll taxes is recorded in the government-wide financial statements.

11. Equipment Rentals

The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is deducted from equipment expenditures for the Statement of Revenues, Expenditures, and Changes in Fund Balance.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

12. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

13. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Commission. All Commission receipts are deposited with the Oceana County Treasurer's Office, and in order to make disbursements, the Oceana County Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. Also, in order to invest cash, a request is made of the County Treasurer. All funds of the Commission are held with the County Treasurer in separate accounts in the Commission's name.

In accordance with Michigan Compiled Laws, the Commission is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Oceana County Road Commission

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

The Commission's bank deposits at December 31, 2005, are composed of the following:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|-------------------------|----------------------------|-------------------------|
| Checking accounts | \$ 1,827,449 | \$ 2,206,528 |
| Certificates of Deposit | <u>104,832</u> | <u>104,832</u> |
| Total | <u>\$ 1,932,281</u> | <u>\$ 2,311,360</u> |

Bank deposits of the Commission are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Commission. As of December 31, 2005, the Commission's accounts were fully insured by the FDIC. The cash captions on the basic financial statements include \$200 in imprest cash.

Investments

As of December 31, 2005, the Commission had the following investments:

| <u>INVESTMENT TYPE</u> | <u>Carrying Amount</u> | <u>Market Value</u> |
|--|----------------------------|-------------------------|
| Uncategorized pooled investments | | |
| Fixed | \$ 815,229 | \$ 815,229 |
| Safeco RST Multi-Cap Core | 683,228 | 683,228 |
| Safeco RST Core Equity | 35,309 | 35,309 |
| Templeton Growth Securities Fund | 62,082 | 62,082 |
| Mutual Shares Securities Fund | 29,851 | 29,851 |
| Safeco RST Growth Opportunities | 70,498 | 70,498 |
| Fidelity VIP Contrafund | 79,025 | 79,025 |
| AIM V.I. Real Estate Fund | 6,944 | 6,944 |
| Templeton Developing Markets Securities Fund | 1,943 | 1,943 |
| Franklin Small Growth Fund | 24,154 | 24,154 |
| Fidelity VIP Equity-Income | 1,629 | 1,629 |
| Fidelity VIP Growth & Income | 14,476 | 14,476 |
| Fidelity VIP Growth | 1,692 | 1,692 |
| SCD - Balanced | 17,498 | 17,498 |
| SCD - International | 5,042 | 5,042 |
| Safeco RST Bond | 4,945 | 4,945 |
| Dreyfus VIP - Quality Bond Portfolio | 901 | 901 |
| Safeco RST High Yield 2 Fund | 1,411 | 1,411 |
| American Century VP Balanced | 1,573 | 1,573 |
| Franklin Income Fund | <u>1,577</u> | <u>1,577</u> |
| | <u>\$ 1,859,007</u> | <u>\$ 1,859,007</u> |

Oceana County Road Commission
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Commission's investments were not subject to rating by a NRSRO.

Interest rate risk

The Commission has not adopted a policy that indicates how the Commission will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The Commission has not adopted a policy that indicates how the Commission will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Commission has not adopted a policy that indicates how the Commission will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

NOTE C: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005 was as follows:

| | <u>Balance</u> <u>Jan. 1, 2005</u> | <u>Additions and</u> <u>Reclassifications</u> | <u>Deletions</u> | <u>Balance</u> <u>Dec. 31, 2005</u> |
|---|---------------------------------------|--|------------------|--|
| Capital Assets Not Being Depreciated | | | | |
| Land and land improvements | \$ 62,094 | \$ - | \$ - | \$ 62,094 |
| Construction in progress | <u>-</u> | <u>272,285</u> | <u>-</u> | <u>272,285</u> |
| Subtotal | 62,094 | 272,285 | -0- | 334,379 |
| Capital Assets Being Depreciated/Depleted | | | | |
| Buildings | 1,686,839 | - | - | 1,686,836 |
| Equipment - | | | | |
| Road | 4,999,616 | 245,000 | - | 5,244,616 |
| Shop | 99,777 | - | - | 99,777 |
| Office | 37,518 | - | - | 37,518 |
| Engineer | 3,744 | - | - | 3,744 |
| Infrastructure - roads | 3,323,426 | 840,793 | - | 4,164,219 |
| Infrastructure - bridges | <u>808,399</u> | <u>391,568</u> | <u>-</u> | <u>1,199,967</u> |
| Subtotal | 10,959,319 | 1,477,361 | -0- | 12,436,680 |

Oceana County Road Commission
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE C: CAPITAL ASSETS - CONTINUED

| | | | | |
|---|---------------------|---------------------|---------------|---------------------|
| Less Accumulated Depreciation/Depletion | | | | |
| Buildings | \$ 480,206 | \$ 41,401 | \$ - | \$ 521,607 |
| Equipment | | | | |
| Road | 4,574,842 | 290,411 | - | 4,865,253 |
| Shop | 98,755 | 1,022 | - | 99,777 |
| Office | 37,518 | - | - | 37,518 |
| Engineer | 3,744 | - | - | 3,744 |
| Infrastructure - roads | 235,800 | 208,211 | - | 444,011 |
| Infrastructure - bridges | <u>30,892</u> | <u>26,404</u> | <u>-</u> | <u>57,296</u> |
| Subtotal | <u>5,461,757</u> | <u>567,449</u> | <u>-0-</u> | <u>6,029,206</u> |
| Net Capital Assets Being Depreciated | <u>5,497,562</u> | <u>909,912</u> | <u>-0-</u> | <u>6,407,474</u> |
| Total Net Capital Assets | <u>\$ 5,559,656</u> | <u>\$ 1,182,197</u> | <u>\$ -0-</u> | <u>\$ 6,741,853</u> |

Depreciation expense was charged to the following activities:

| | |
|----------------------------|-------------------|
| | <u>Amount</u> |
| Net Equipment Expense | |
| Direct Equipment | \$ 290,411 |
| Indirect Equipment | 26,691 |
| Net Administrative Expense | 15,732 |
| Infrastructure | <u>234,615</u> |
| | <u>\$ 567,449</u> |

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the Commission for the year ended December 31, 2005:

| | Balance <u>Jan. 1, 2005</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>Dec. 31, 2005</u> | Amounts Due Within <u>One Year</u> |
|-------------------------|--------------------------------|------------------|-------------------|---------------------------------|--|
| General Long-Term Debt | | | | | |
| 2000 MTF Revenue Bonds | \$ 480,000 | \$ - | \$ 80,000 | \$ 400,000 | \$ 80,000 |
| Capital leases | 84,841 | - | 84,841 | -0- | - |
| Vacation and sick leave | <u>413,820</u> | <u>2,135</u> | <u>-</u> | <u>415,995</u> | <u>259,153</u> |
| | <u>\$ 978,661</u> | <u>\$ 2,135</u> | <u>\$ 164,841</u> | <u>\$ 815,995</u> | <u>\$ 339,153</u> |

Significant details regarding outstanding long-term debt (including current portions) are presented below.

Bonds payable at December 31, 2005, are as follows:

\$800,000 Michigan Transportation Fund Revenue Bonds, Series 2000 C, dated November 17, 2000, due in annual installments of \$80,000 through August 1, 2010, with interest ranging from 4.4 to 4.7 percent, payable semi-annually. \$ 400,000

Oceana County Road Commission

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE D: LONG-TERM DEBT - CONTINUED

Accumulated Vacation and Sick

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

Accumulated vacation and sick leave represents a liability to the Commission, which is presented in a current and long-term portion of the liability. For this reason, the total liability reported in the government-wide financial statements represents a current liability of \$259,153 and a long term liability of \$156,802 at December 31, 2005.

The annual requirements to pay long-term debt principal and interest outstanding for the following bonds at December 31, 2005, are as follows:

| Year Ending December 31, | Bond Payable | | Total |
|-----------------------------|-------------------|------------------|-------------------|
| | Principal | Interest | |
| 2006 | \$ 80,000 | \$ 18,240 | \$ 98,240 |
| 2007 | 80,000 | 14,720 | 94,720 |
| 2008 | 80,000 | 11,120 | 91,120 |
| 2009 | 80,000 | 7,440 | 87,440 |
| 2010 | <u>80,000</u> | <u>3,760</u> | <u>83,760</u> |
| Total | <u>\$ 400,000</u> | <u>\$ 55,280</u> | <u>\$ 455,280</u> |

NOTE E: FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2005, the Federal aid received and expended by the Road Commission was \$309,770 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if it expended \$500,000 or more for negotiated projects.

NOTE F: EMPLOYEE RETIREMENT SYSTEM

Plan Description

The Oceana County Road Commission has a master defined contribution pension plan covering substantially all full-time employees. This defined contribution plan is administered through the Safeco Life Insurance Company.

A defined contribution pension plan provides pension benefits in return for services rendered, an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The plan requires the employer to contribute the equivalent of 6% of the participation employee's gross regular wages, with immediate vesting. Similarly, at least 5% of the employee's gross salary is to be contributed by the employee to the IRS Code Section 457 Plan. No pension provision changes occurred during the year that affected the required contributions to be made by the Road Commission or its employees.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE F: EMPLOYEE RETIREMENT SYSTEM

Michigan Compiled Laws, Section 38.1121, authorizes the Road Commission to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types. The Road Commission's pension fund investments are in accordance with statutory authority. Investments are held by and purchased through Safeco Life Insurance Company.

NOTE G: CONTINGENT LIABILITIES

The Commission participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The programs and the periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

NOTE H: RISK MANAGEMENT

The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, trunkline, excess liability, auto liability, errors and omissions and physical damage. The Road Commission participates in the County Road Commission Self-Insurance Fund (CRCSIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

The Commission carries commercial insurance for the risk of loss due to directors' and officers' liability and tank storage.

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the Budgetary Comparison Schedules presented as Required Supplementary Information, the Oceana County Road Commission budgeted expenditures in the General Operating Fund have been shown at the functional classification level. The approved budget of the Oceana County Road Commission has been adopted the activity level for the General Operating Fund.

Oceana County Road Commission

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

| | Amended Amounts <u>Appropriated</u> | Actual Amounts <u>Expended</u> | <u>Variance</u> |
|------------------|---|--------------------------------------|-----------------|
| Primary Road | | | |
| Maintenance | \$ 1,250,000 | \$ 1,408,575 | \$ 158,575 |
| Preservation | 125,000 | 132,048 | 7,048 |
| Local Road | | | |
| Maintenance | 1,600,000 | 2,085,698 | 485,698 |
| State Trunkline | | | |
| Maintenance | 850,000 | 864,453 | 14,453 |
| Equipment | | | |
| Direct | 630,000 | 851,502 | 221,502 |
| Equipment rental | (1,275,000) | (1,240,088) | 34,912 |

NOTE J: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use.

The following is the fund balance reserve as of December 31, 2005:

| | |
|------------------------|-------------------|
| General Operating Fund | |
| Reserved for inventory | <u>\$ 232,849</u> |

NOTE K: POST-EMPLOYMENT BENEFITS

In accordance with the union agreement and personnel policy, effective January 1, 1996, upon retirement each employee will be eligible for continuation of subscriber health insurance. Between the age of 62 and 65, the Road Commission will pay 100% of the subscriber benefit. This benefit will expire upon reaching the age of 65. After age 65, for health insurance to continue the employee is required to pay 100% of the premium amount applicable to their coverage on a monthly basis to the Road Commission. The Road Commission remits the full premium to the insurance carrier. The total cost was \$81,207 and the amount reimbursed by retirees was \$70,610 with a net cost to the Road Commission of \$10,597. During the year ended December 31, 2005, 1 retiree between the age of 62 and 65 was receiving benefits. The Road Commission's policy is to finance these benefits on a pay as you go basis.

Life Insurance

The Road Commission has purchased term life insurance for almost all full time employees, per the union agreement and personnel policy. Upon retirement, the insurance continues at a lower rate of coverage according to the following:

| | |
|-----------------------------|----------|
| Retired while under age 70 | \$ 3,000 |
| Retired while age 70 to 74 | 2,500 |
| Retired while age 75 to 79 | 1,500 |
| Retired at age 80 and above | 1,000 |

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE K: POST-EMPLOYMENT BENEFITS - CONTINUED

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

REQUIRED SUPPLEMENTARY INFORMATION



Oceana County Road Commission

BUDGETARY COMPARISON SCHEDULE - STATEMENT OF
REVENUES - BUDGET AND ACTUAL

GENERAL OPERATING FUND

Year Ended December 31, 2005

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------|---------------------|----------------------------|---------------------|---|
| REVENUES | | | | |
| Licenses and permits | | | | |
| Permits | \$ 12,500 | \$ 10,500 | \$ 12,092 | \$ 1,592 |
| Intergovernmental | | | | |
| Federal sources | | | | |
| Economic development "D" funds | 82,500 | - | 186,545 | 186,545 |
| Surface transportation program | 166,000 | - | 113,225 | 113,225 |
| Critical bridge | 315,000 | - | - | -0- |
| U.S. Forestry Service | - | - | 10,000 | 10,000 |
| State sources | | | | |
| Motor Vehicle Highway Funds | | | | |
| Engineering | 10,000 | 10,000 | 10,000 | -0- |
| Allocation | 3,195,000 | 3,700,000 | 3,933,669 | 233,669 |
| Snow removal | 125,000 | 132,000 | 132,852 | 852 |
| Critical bridge | 17,500 | - | - | -0- |
| Oceana Drive turn-back | 865,000 | 1,919,000 | 1,919,000 | -0- |
| Economic Development Funds | | | | |
| Rural primary "D" funds | 85,000 | 85,000 | 5,386 | (79,614) |
| Forest road | 48,500 | 48,500 | 48,396 | (104) |
| Local sources | | | | |
| Township contributions | 675,000 | 445,000 | 344,236 | (100,764) |
| Other contributions | 292,000 | 215,000 | - | (215,000) |
| Total intergovernmental | 5,876,500 | 6,554,500 | 6,703,309 | 148,809 |
| Charges for services | | | | |
| State Trunkline maintenance | | | | |
| Direct charges | 855,000 | 790,000 | 843,080 | 53,080 |
| Interest | 9,000 | 14,500 | 29,884 | 15,384 |
| Other | | | | |
| Refunds | 650 | 300 | - | (300) |
| TOTAL REVENUES | <u>\$ 6,753,650</u> | <u>\$ 7,369,800</u> | <u>\$ 7,588,365</u> | <u>\$ 218,565</u> |

Oceana County Road Commission

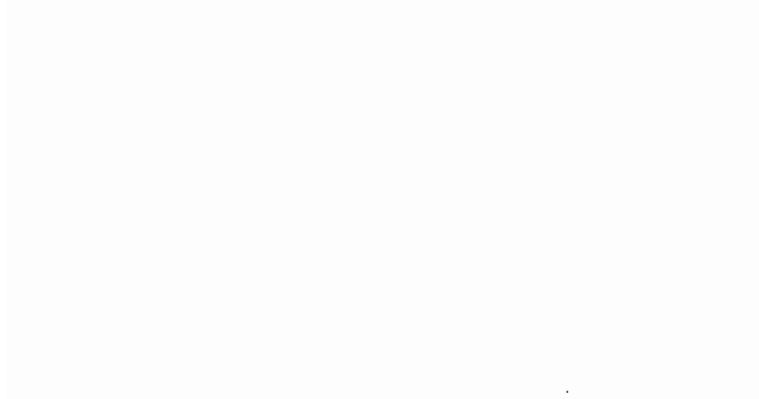
BUDGETARY COMPARISON SCHEDULE - STATEMENT OF
EXPENDITURES - BUDGET AND ACTUAL

GENERAL OPERATING FUND

Year Ended December 31, 2005

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|--------------------|----------------------------|--------------|---|
| EXPENDITURES | | | | |
| Current | | | | |
| Primary road | | | | |
| Maintenance | \$ 725,000 | \$ 1,250,000 | \$ 1,408,575 | \$ (158,575) |
| Construction | 1,225,000 | 420,000 | 397,405 | 22,595 |
| Preservation | 110,000 | 125,000 | 132,048 | (7,048) |
| Total primary road | 2,060,000 | 1,795,000 | 1,938,028 | (143,028) |
| Local road | | | | |
| Maintenance | 1,750,000 | 1,600,000 | 2,085,698 | (485,698) |
| Construction | 1,325,000 | 690,000 | 658,266 | 31,734 |
| Preservation | 350,000 | 85,000 | 44,642 | 40,358 |
| Total local road | 3,425,000 | 2,375,000 | 2,788,606 | (413,606) |
| State Trunkline | | | | |
| Maintenance | 785,000 | 850,000 | 864,453 | (14,453) |
| Equipment | | | | |
| Direct | 725,000 | 630,000 | 851,502 | (221,502) |
| Indirect | 362,500 | 385,000 | 380,901 | 4,099 |
| Operating | 362,500 | 420,000 | 339,003 | 80,997 |
| Less: Equipment rental | (1,450,000) | (1,275,000) | (1,240,088) | (34,912) |
| Total equipment | - | 160,000 | 331,318 | (171,318) |
| Administrative | | | | |
| Administration | 280,000 | 410,000 | 439,459 | (29,459) |
| Less: | | | | |
| Handling charges | - | - | (7,478) | 7,478 |
| Overhead state | - | - | (92,157) | 92,157 |
| Purchase discount | - | - | (195) | 195 |
| Other | - | - | (480) | 480 |
| Total administrative | 280,000 | 410,000 | 339,149 | 70,851 |
| Drains at large | | | | |
| Drain assessment | 12,500 | 25,500 | 25,583 | (83) |
| Capital outlay | | | | |
| Capital outlay | 605,000 | 305,000 | 386,233 | (81,233) |
| Less: | | | | |
| Depreciation and depletion | (325,000) | (320,000) | (319,073) | (927) |
| Total capital outlay | 280,000 | (15,000) | 67,160 | (82,160) |
| Debt Service | | | | |
| Principal payments | 93,832 | 165,000 | 164,906 | 94 |
| Interest payments | 31,035 | 31,035 | 26,834 | 4,201 |
| Total debt service | 124,867 | 196,035 | 191,740 | 4,295 |
| Contingency | 11,283 | 1,798,265 | - | 1,798,265 |
| TOTAL EXPENDITURES | \$ 6,978,650 | \$ 7,594,800 | \$ 6,546,037 | \$ 1,048,763 |

OTHER SUPPLEMENTARY INFORMATION



Oceana County Road Commission

STATEMENT OF CHANGES IN FUND BALANCE

GENERAL OPERATING FUND

Year Ended December 31, 2005

| | |
|--------------------------------------|----------------------------|
| TOTAL REVENUES | \$ 7,588,365 |
| TOTAL EXPENDITURES | <u>6,546,037</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 1,042,328 |
| Fund balance, beginning of year | <u>1,473,580</u> |
| Fund balance, end of year | <u><u>\$ 2,515,908</u></u> |

Oceana County Road Commission

GENERAL OPERATING FUND

ANALYSIS OF CHANGES IN FUND BALANCE

Year Ended December 31, 2005

| | Primary Road Fund | Local Road Fund | County Road Commission | Total |
|---|----------------------|---------------------|---------------------------|---------------------|
| TOTAL REVENUES | \$ 4,384,666 | \$ 2,004,291 | \$ 1,199,408 | \$ 7,588,365 |
| TOTAL EXPENDITURES | 2,249,972 | 3,193,626 | 1,102,439 | 6,546,037 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 2,134,694 | (1,189,335) | 96,969 | 1,042,328 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Optional transfers in | - | 675,274 | - | 675,274 |
| Optional transfers out | (675,274) | - | - | (675,274) |
| TOTAL OTHER FINANCING SOURCES (USES) | (675,274) | 675,274 | -0- | -0- |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 1,459,420 | (514,061) | 96,969 | 1,042,328 |
| Fund balance (deficit), beginning of year | 1,700,375 | 193,192 | (419,987) | 1,473,580 |
| Fund balance (deficit), end of year | <u>\$ 3,159,795</u> | <u>\$ (320,869)</u> | <u>\$ (323,018)</u> | <u>\$ 2,515,908</u> |

Oceana County Road Commission

GENERAL OPERATING FUND

ANALYSIS OF REVENUES

Year Ended December 31, 2005

| | Primary Road Fund | Local Road Fund | County Road Commission | Total |
|-------------------------|----------------------|---------------------|---------------------------|---------------------|
| REVENUES | | | | |
| Licenses and permits | | | | |
| Permits | \$ - | \$ - | \$ 12,092 | \$ 12,092 |
| Intergovernmental | | | | |
| Federal sources | 186,545 | 123,225 | - | 309,770 |
| State sources | 4,181,021 | 1,868,282 | - | 6,049,303 |
| Local sources | - | - | 344,236 | 344,236 |
| Total intergovernmental | 4,367,566 | 1,991,507 | 344,236 | 6,703,309 |
| Charges for services | | | | |
| State Trunkline | | | | |
| Direct charges | - | - | 843,080 | 843,080 |
| Interest | 17,100 | 12,784 | - | 29,884 |
| TOTAL REVENUES | <u>\$ 4,384,666</u> | <u>\$ 2,004,291</u> | <u>\$ 1,199,408</u> | <u>\$ 7,588,365</u> |

Oceana County Road Commission

GENERAL OPERATING FUND

ANALYSIS OF EXPENDITURES

Year Ended December 31, 2005

| | Primary Road Fund | Local Road Fund | County Road Commission | Total |
|------------------------------|----------------------|---------------------|---------------------------|---------------------|
| EXPENDITURES | | | | |
| Heavy Maintenance | \$ 397,405 | \$ 658,266 | \$ - | \$ 1,055,671 |
| Structure Maintenance | 132,048 | 44,642 | - | 176,690 |
| Maintenance | 1,408,575 | 2,085,698 | - | 3,494,273 |
| State Trunkline | - | - | 864,453 | 864,453 |
| Equipment Expense - Net | 84,552 | 179,442 | 67,324 | 331,318 |
| Administrative Expense - Net | 139,059 | 200,090 | - | 339,149 |
| Drains at large | 95 | 25,488 | - | 25,583 |
| Capital Outlay - Net | 88,238 | - | (21,078) | 67,160 |
| Debt Service | - | - | 191,740 | 191,740 |
| | | | | |
| TOTAL EXPENDITURES | <u>\$ 2,249,972</u> | <u>\$ 3,193,626</u> | <u>\$ 1,102,439</u> | <u>\$ 6,546,037</u> |

Oceana County Road Commission

SCHEDULE OF CHANGES IN CAPITAL ASSETS

Year Ended December 31, 2005

| | Balance Jan. 1, 2005 | Additions and Reclassifications | Deletions | Balance Dec. 31, 2005 |
|--|-------------------------|------------------------------------|---------------|--------------------------|
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Land and land improvements | \$ 62,094 | \$ - | \$ - | \$ 62,094 |
| Construction in progress | - | 272,285 | - | 272,285 |
| Subtotal | 62,094 | 272,285 | -0- | 334,379 |
| CAPITAL ASSETS BEING DEPRECIATED/DEPLETED | | | | |
| Buildings | 1,686,839 | - | - | 1,686,839 |
| Equipment | | | | |
| Road | 4,999,616 | 245,000 | - | 5,244,616 |
| Shop | 99,777 | - | - | 99,777 |
| Office | 37,518 | - | - | 37,518 |
| Engineer | 3,744 | - | - | 3,744 |
| Infrastructure - Roads | 3,323,426 | 840,793 | - | 4,164,219 |
| Infrastructure - Bridges | 808,399 | 391,568 | - | 1,199,967 |
| Subtotal | 10,959,319 | 1,477,361 | -0- | 12,436,680 |
| LESS ACCUMULATED DEPRECIATION/DEPLETION | | | | |
| Buildings | 480,206 | 41,401 | - | 521,607 |
| Equipment | | | | |
| Road | 4,574,842 | 290,411 | - | 4,865,253 |
| Shop | 98,755 | 1,022 | - | 99,777 |
| Office | 37,518 | - | - | 37,518 |
| Engineer | 3,744 | - | - | 3,744 |
| Infrastructure - Roads | 235,800 | 208,211 | - | 444,011 |
| Infrastructure - Bridges | 30,892 | 26,404 | - | 57,296 |
| Subtotal | 5,461,757 | 567,449 | -0- | 6,029,206 |
| Net Capital Assets Being Depreciated | 5,497,562 | 909,912 | -0- | 6,407,474 |
| Total Net Capital Assets | <u>\$ 5,559,656</u> | <u>\$ 1,182,197</u> | <u>\$ -0-</u> | <u>\$ 6,741,853</u> |

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of County Road Commissioners
Oceana County
Hart, Michigan

We have audited the component unit financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oceana County Road Commission as of and for the year ended December 31, 2005 which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Oceana County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oceana County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Oceana County Road Commission in a separate letter dated March 15, 2006.

This report is intended for the information and use of management and the Board of County Road Commissioners, and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 15, 2006

Principals

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MANAGEMENT LETTER

To the Board of County Road Commissioners
of Oceana County
Hart, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Oceana County Road Commission for the year ended December 31, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The Road Commission should review the status of individual fund balances (deficits) near year-end.

As noted in the Analysis of Changes in Fund Balance included as other supplementary information to the basic financial statements, the County Road Fund portions of total fund balance ended the year in deficit financial positions. This issue was noted for the County Road Fund portion of total fund balance and reported in our audit comments last year.

We suggest the Road Commission closely monitor Primary Road, Local Road, and County Road fund spending, review the status of individual funds near year-end, and make appropriate adjustments when possible to eliminate deficits. The Road Commission should take corrective action to increase revenues and/or decrease expenditures in order to strengthen the financial condition of the Road Commission.

2. Budgets should be monitored and amended prior to expenditure of funds when necessary.

As noted in the required supplementary information to the basic financial statements, some of the budgeted activities of the Road Commission exceeded the amounts appropriated.

The Michigan Public Act 621 of 1978, as amended, provides that the Road Commission adopt formal budgets for applicable Special Revenue Funds and shall not incur expenditures in excess of the amounts appropriated.

We suggest the Road Commission monitor expenditures against the adopted budget on a periodic basis, preferable monthly. Appropriate budget amendments should be adopted before year-end. This issue was noted and reported in our audit comments last year.

3. The Road Commission should evaluate the credit limit on the Commission's credit card.

During our examination of expenditures and our review of credit card invoices for the year, we noted that the credit limit on the Commission's credit card is \$16,000. This amount exceeds the needs of the Commission and unnecessarily exposes the Commission to additional risk of loss.

We suggest management evaluate the needs of the Commission and reduce the credit limit to a more appropriate amount to better safeguard the assets of the Commission.

4. The Road Commission should monitor the use of funds generated through memorandums of understanding.

During the course of our audit, we noted that the Road Commission entered into a memorandum of understanding with the State Department of Transportation dated August 3, 2005. In the memorandum, the parties agreed that jurisdiction of portions of Old US-31 would transfer from the State to the Road Commission in exchange for \$1,919,000 ("turn-back funds"). The turn-back funds received by the Road Commission represented the estimated cost of renovation, repair, and/or reconstruction work to be performed on the portions of Old US-31 that were transferred to the Road Commission.

At the time the turn-back funds were received by the Road Commission, they were deposited into a separate bank account to signify that the funds were restricted in their purpose and use. In the board minutes from the December 29, 2005, meeting of the County Road Commissioners, a motion was carried that directed the Oceana County Treasurer to transfer approximately \$142,458 from the restricted bank account to the Road Commission's general bank account. Such a transfer was considered necessary to cover the cost of operations of the Road Commission. A similar issue was noted and reported in our audit comments for previous turn-back funds received from the State Department of Transportation in the fiscal year ended December 31, 2002.

We suggest the Road Commission closely monitor and restrict the use of funds generated through memorandums of understanding to the intended purpose(s) detailed in the agreement. We also suggest the Commission develop a plan to transfer funds from the general bank account back to the turn-back bank account so that the funds may be expended for their intended purpose and accounted for appropriately.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the component unit financial statements, and this report does not affect our report on the component unit financial statements, dated March 15, 2006.

This report is intended solely for the use of management and the Board of Commissioners of Oceana County Road Commission and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 15, 2006